

Message Text

CONFIDENTIAL

PAGE 01 CAIRO 14131 251355Z
ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 SSM-03 AGRE-00
EUR-12 AF-10 /109 W
-----051868 252216Z /61

R 251246Z AUG 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 8699
INFO AMCONSUL ALEXANDRIA

C O N F I D E N T I A L CAIRO 14131

E.O. 11652: GDS
TAGS: ECON EGEN EFIN EG
SUBJ: GOE COMMODITY SUBSIDY CUTS, COMPENSATION, ACTIVITIES

REF: (A) CAIRO 13948, (B) CAIRO 13973

1. IN MEETING WITH PRIMIN MAMDUH SALEM, AUGUST 24, AMBASSADOR
ASKED ABOUT CURRENT SPATE OF GOE ACTIVITY REMOVAL OF SUBSI-
DIES, PRICE RISES, PRICE CONTROLS, AND POSSIBLE WAGE INCREASES.
AS DEPT AWARE FROM REFTELS, GOE IS NOW INVOLVED IN VIGOROUS
PUBLIC RELATIONS CAMPAIGN TO EXPLAIN NEED FOR ELIMINATION OF
SUBSIDIES AND IS ACCOMPANYING THIS WITH PROMISES OF WAGE INCREASES.

2. SALEM ACKNOWLEDGED THAT GOE IS MOVING TOWARD ELIMINATING
SUBSIDIES. HE RECALLED IMF, USG AND OTHER DONOR GOVERNMENTS
HAVE LONG URGED GOE TO DO SO. AS HE HAD PREVIOUSLY TOLD US,
GOE AGREES THAT SUBSIDIES MUST BE REDUCED AND, IF POSSIBLE,
ELIMINATED. THIS YEAR, HE NOTED, DIRECT AND INDIRECT SUBSI-
DIES TOTAL APPROXIMATELY LE 1.2 MILLION. EARLIER ATTEMPT TO
REMOVE SUBSIDIES, WITH ATTENDANT PRICE RISES, HAD BEEN BADLY
HANDLED. RESULT WAS JANUARY PRICE RIOTS. GOE WISHES
AVOID RECURRENCE BY MORE CAREFUL ADVANCE PREPARATION.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 14131 251355Z

3. IN AN EFFORT TO EDUCATE PUBLIC, PRIMIN SAID, GOE
HAS UNDERTAKEN CAMPAIGN THROUGH MEDIA TO DEVELOP SOME
PUBLIC UNDERSTANDING OF GOE POLICY IN THIS SPHERE. AS
HE SEES IT, GOE MUST UNDERTAKE BALANCED PROGRAM, INVOLV-
ING REMOVAL OF SUBSIDIES, ALLOWING SOME PRICE ESVALATION
BUT TRYING TO LIMIT THIS THROUGH STRICT PRICE CONTROL, AND

AN ENERGETIC GOE EFFORT TO POLICE WHOLESALERS AND VENDORS TO ENSURE THAT FOODSTUFFS AND BASIC COMMODITIES REMAIN AVAILABLE IN STALLS AT REASONABLE PRICES. HE HAD CHARGED DEPUTY MININT MG NABAWI AND MINSUPPLY ZARKARIA TEWFIK WITH MONITORING COMMODITY AVAILABILITY AND PRICE CONTROLS. AS WE HAD CERTAINLY NOTED, MG NABAWI HAS FOR PAST WEEK OR SO BEEN MAKING DAILY VISITS TO VEGETABLE AND CLOTHING SOUKS IN VARIOUS PARTS OF CAIRO AND TALKING TO VENDORS AND PUBLIC ABOUT PRICES BEING CHANGED. NABAWI HAS BEEN GIVEN AUTHORITY TAKE ON-THE-SPOT ACTION AGAINST VENDORS WHO VIOLATE PRICE CONTROLS OR WHO DELIBERATELY WITHHOLD FOODSTUFFS FROM MARKET. GOE, PRIMIN SAID, MUST DEMONSTRATE THAT PROFITEERS WILL NOT BE TOLERATED.

4. IN ADDITION, PRIMIN EXPLAINED, GOE INTENDS INSTITUTE WAGE INCREASE FOR GOVERNMENT AND PUBLIC SECTOR WORKERS RANGING FROM 20 TO 33 PERCENT, DEPENDING UPON THE SALARY LEVEL OF THE INDIVIDUAL INVOLVED. FOR EXAMPLE, AN EMPLOYEE WHO NOW EARNS LE 12 PER MONTH WILL RECEIVE LE 18. THESE PAY RAISES SHOULD PERMIT WORKERS ABSORB INCREASED PRICES RESULTING FROM REMOVAL OF SUBSIDIES. PRICES OF ALL SUBSIDIZED ITEMS, INCLUDING BREAD AND TRANSPORT, WILL BE RAISED. HOWEVER, BREAD AND TRANSPORT, SINCE THEY AFFECT ALL, WILL BE RAISED ONLY marginally. PRIMIN ACKNOWLEDGED GOE WILL HAVE TO PRO-CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 14131 251355Z

CEED CAUTIOUSLY, BUT HOPED TO HAVE THE PROGRAM COMPLETED BY END OF THIS YEAR. HE ALSO AGREED THAT WAGE INCREASES WILL HAVE SOME FURTHER INFLATIONARY EFFECT, BUT THOUGHT THIS COULD BE MANAGED.

5. ASKED RE LIKELY PUBLIC REACTION, PRIMIN WAS GUARDEDLY OPTIMISTIC. HE ASSERTED THAT ONCE EGYPTIAN PEOPLE UNDERSTAND WHY GOE MUST TAKE THESE STEPS, AS GOE IS NOW ATTEMPTING TO EXPLAIN, THEY MAY NOT LIKE IT BUT WILL GO ALONG. THIS IS ESPECIALLY SO IF GOE CAN DEMONSTRATE VIGOR IN MAINTAINING PRICE CONTROLS AND ADEQUATE MARKET AVAILABILITIES. HE ACKNOWLEDGED THAT PRICE CONTROL MAY CAUSE SUPPLIERS TO WITHHOLD SUPPLIES FROM MARKET, BUT OPINED THAT WHERE FOODSTUFFS ARE INVOLVED, DEALERS CANNOT DO SO FOR LONG WITHOUT HURTING THEMSELVES. FOODSTUFFS WILL SPOIL UNLESS SOLD IN RELATIVELY SHORT PERIOD OF TIME. PROGRAM WILL PROBABLY HAVE SOME UNSETTLING EFFECT, BUT HE WAS HOPEFUL THAT IT CAN BE MANAGED WITHOUT EXCITING PUBLIC DISORDER.

6. COMMENT: GOE HAS STAKED OUT MAJOR TASK FOR ITSELF AND ONE WITH CONSIDERABLE POTENTIAL VOLATILITY. WE

GRATIFIED NOTE CAREFUL ADVANCE PREPARATIONS WHICH GOE MAKING THIS TIME TO WIN PUBLIC SUPPORT FOR PROGRAM. PRIMIN, WHO IS AN OLD HAND AT PUBLIC SECURITY MATTERS, IS WELL AWARE OF RISKS, BUT SEEMS TO BELIEVE--AT LEAST AS OF NOW--THAT GOE'S ADVANCE PREPARATIONS WILL PAY OFF AND MAKE THE RISKS MANAGEABLE. NOT ALL ARE AS HOPEFUL. THUS, FOR EXAMPLE, EGYPTIAN DMI TOLD DATT, AUGUST 24, THAT HIS ASSESSMENT IS CONDITIONS TODAY VIRTALLY IDENTICAL TO THOSE IMMEDIATELY PRECEDING JANUARY PRICE RIOTS. HOWEVER, WHILE "NOT GOOD", THERE WAS ONE DIFFERENCE. THIS TIME INTERNAL SECURITY FORCES BETTER PREPARED TO COPE WITH SITUATION THAN THEY WERE IN JANUARY. PERHAPS SO, BUT NO ONE CAN BE SURE.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 CAIRO 14131 251355Z

7. SOVIETS, EAST EUROPEANS, AND OTHER GOE ILL-WISHERS ARE MAKING DIRE PREDICTIONS OF NEW PRICE RIOTS IN WAKE OF REMOVAL OF SUBSIDY AND PRICE INCREASES. DURING FAREWELL CALL, EAST GERMAN AMBASSADOR TOLD ME THAT, IF GOE PROCEEDS WITH ITS PLANS, NEW PRICE RIOTS CERAIN EARLY NEXT YEAR. HE NOTED THAT GOE'S PLANNED WAGE INCREASES WILL NOT HELP THE MANY UNEMPLOYED WORKERS, WHO WILL NEVERTHELESS BE FACED WITH PRICE RISES. IN HIS VIEW, SHOULD NEW PRICE RIOTS BREAK OUT, INTERNAL SECURITY FORCES WILL AGAIN PROVE UNRELIABLE AND ARMY WILL BE FACED WITH DILEMMA OF HAVING TO QUELL THE RIOTS, BY FORCE IF NECESSARY. GIVEN GENERAL FEELING OF UNREST IN EGYPT TODAY, AN UNHAPPINESS IN OFFICER CORPS ABOUT RECENT HOSTILITIES WITH LIBYA, HE WONDERED WHETHER MILITARY WOULD AGAIN PROVE TO BE INEFFEECTIVE INSTRUMENT TO CONTAIN RIOTS. IN BRIEF CHAT WHICH AMBASSADOR HAD TODAY WITH DEPARTING SOVIET COUNSELOR AKOPOV, HE MADE VIRTUALLY INDENTICAL POINT. IN CASE OF SOVIETS AND EAST EUROPEANS, THE WISH IS FATHER TO THE THE THOUGHT. BUT THERE IS NO GAIN SAYING THAT PROGRAM GOE CONTEMPLATES IS A TRICKY AFFAIR AND FRAUGHT WITH POTENTIAL PUBLIC SECURITY DANGERS. EILTS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMPENSATION, PRICE CONTROLS, SUBSIDIES, WAGE RATES
Control Number: n/a
Copy: SINGLE
Sent Date: 25-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO14131
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770308-0099
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770825/aaaaauox.tel
Line Count: 159
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0a707053-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 CAIRO 13948, 77 CAIRO 13973
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 26-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1490853
Secure: OPEN
Status: NATIVE
Subject: GOE COMMODITY SUBSIDY CUTS, COMPENSATION, ACTIVITIES
TAGS: ECON, EGEN, EFIN, EG
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/0a707053-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009